

Section A

EDI in California – An Overview

EDI – Electronic Data Interchange	A-2
Benefits of EDI within Workers’ Compensation	A-2
California’s WCIS – the Workers’ Compensation Information System.....	A-3
History	A-3
WCIS Data Collection	A-3
California EDI Requirements	A-4
Sending Data to the WCIS	A-5
Five Steps of EDI - From Testing to Production.....	A-6
Step One: EDI Trading Partner Profile	A-6
Step Two: Testing	A-6
Step Three: Pilot	A-6
Step Four: Parallel	A-6
Step Five: Production.....	A-6

EDI – Electronic Data Interchange

Electronic Data Interchange (EDI) is the computer-to-computer exchange of data or information in a standardized format. In workers' compensation, EDI refers to the electronic transmission of claims information from claims administrators (insurers, self-insured employers, and third party administrators) to a State Workers' Compensation Agency.

Data are transmitted in a format standardized by the International Association of Industrial Accident Boards and Commissions (IAIABC). The IAIABC is a professional association of workers' compensation specialists from the public and private sectors and has spearheaded the introduction of EDI in workers' compensation. For further details, see Section P–IAIABC Information. All collected data elements are reviewed for valid and standardized business definitions and formats.

Benefits of EDI within Workers' Compensation

- **Allows state agencies to respond to policy makers' questions regarding their state programs**

EDI allows states to evaluate the effectiveness and efficiency of their workers' compensation system by providing comprehensive and readily accessible information on all claims. This information can then be made available to state policy makers considering any changes to the system.

- **Avoids costs in paper handling**

EDI reduces costs in the processing of paper documents for the claims administrator and the jurisdiction: mail processing costs, duplicated data entry costs, shipping, filing and storage costs.

- **Increases data quality**

EDI has built-in data quality checking procedures that are triggered when data are received by the state agency. Many claims administrators choose to replicate these data-checking procedures to reduce the cost of data correction.

- **Simplifies reporting requirements for multi-state insurers**

EDI helps claims administrators cut costs by having a single system for internal data management and reporting.

California's WCIS – the Workers' Compensation Information System

History

The California Legislature enacted sweeping reforms to California's workers' compensation system in 1993. The reform legislation was preceded by a vigorous debate among representatives of injured workers, their employers, insurance companies, and medical providers. All parties agreed that changes were due, but they could not reach agreement on the nature of the problems to be corrected nor on the likely impact of alternative reform proposals. One barrier to well-informed debate was the absence of comprehensive, impartial information about the performance of California's workers' compensation system.

Foreseeing the strengths and weaknesses of the system, the Legislature directed the Division of Workers' Compensation (DWC) to put together comprehensive information about workers' compensation in California. The result is the WCIS--the Workers' Compensation Information System. The WCIS has been in development since 1995, and its design has been shaped by a broad-based advisory committee. The WCIS has four main objectives:

- help DWC manage the workers' compensation system efficiently and effectively,
- facilitate the evaluation of the benefit delivery system,
- assist in measuring benefit adequacy,
- provide statistical data for further research.

WCIS Data Collection

The core of the system is standardized data on every California workers' compensation claim. Much of this data has historically been collected in paper form: employers' and physicians' first reports of injury and benefit notices. Beginning in 2000, standardized data was transmitted to the WCIS by EDI. These EDI transmissions are the main subject of this Guide. EDI reporting allows DWC to understand and improve the California workers' compensation system.

California EDI Requirements

California's WCIS regulations define EDI reporting requirements for claims administrators. A claims administrator is an insurer, a self-insured employer, or a third-party administrator.

In brief, claims administrators are required to submit the following:

First Reports: First Reports of Injury (FROIs) must be submitted by EDI to WCIS in the Division of Workers' Compensation (DWC) no later than 5 days after knowledge of the claim.

Subsequent Reports: Subsequent Reports of Injury (SROIs) are submitted within 10 business days whenever benefit payments to an employee are started, changed, suspended, restarted, stopped, delayed or denied or when a claim is closed, reopened or upon notification of employee representation.

Medical Bill/Payment Reports: Regulations will require the submission of Medical Bill/Payment Reports. WCIS anticipates the addition of Medical Bill/Payment Reports in 2006.

Annual Summary of Benefits: An Annual Summary of Benefits must be submitted for every claim with any benefit activity (including medical) during the preceding year.

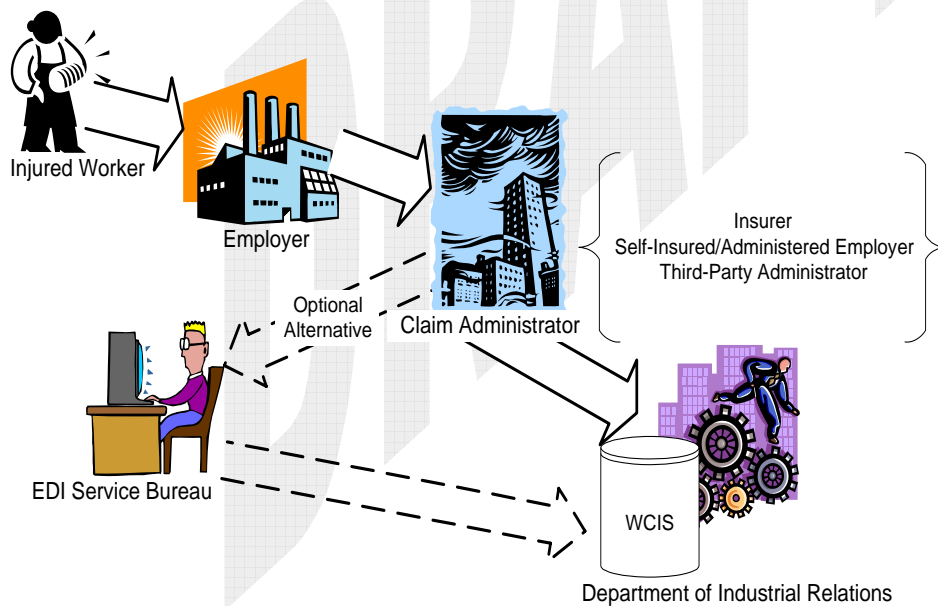
Section E—Legal Authorities, includes the full WCIS regulations along with a more detailed summary.

Sending Data to the WCIS

Workers' compensation claims are handled by diverse organizations: large multi-state insurance companies, smaller specialty insurance carriers, self-insured employers, and third-party administrators handling claims on behalf of insured and self-insured employers. These organizations have different information systems and capabilities. The WCIS has been designed to be flexible in the support of a variety of EDI systems.

There are three methods of transmitting data from claim administrators to WCIS. They are: secure internet e-mail attachments, commercially-owned Value Added Networks (VANs), and File Transfer Protocol (FTP). The WCIS is also flexible in supporting two different file formats, known as ANSI X12 and "flat-file" formats. These methods are described more fully in Section H—File Formats and Supported Transactions and Section I—Transmission Modes.

Claim administrators can avoid the details of EDI by selecting among several firms that sell EDI-related software products, consulting, and related services. These are described in Section J—EDI Service Providers.



The Five Step Process of EDI--From Testing to Production

Full production EDI reporting status is a five step process. Each step of the process is described in more detail in Section G--Test, Pilot, Parallel and Production Phases of EDI. These steps should be repeated each time the claims administrator is ready to move into a new transaction type, i.e., the First Reports and Subsequent Reports.

Step 1: EDI Trading Partner Profile

The claims administrator first provides an EDI Trading Partner Profile to the Division at least 30 (thirty) days before its first submission of EDI data. The Trading Partner Profile form is provided in Section F--Trading Partner Profile. The Trading Partner Profile is used to prepare WCIS for your data transmission: what file format to expect, where to send an acknowledgement, when you plan to transmit reports, and similar information.

Step 2: Testing

The claims administrator runs a preliminary test by transmitting a test file to ensure that the WCIS system can read and interpret the data. The claims administrator has passed the test when minimum technical requirements are met: WCIS recognizes the sender, the file format is correct, and the claims administrator can receive electronic acknowledgements from WCIS.

Step 3: Pilot

After a test file is successfully transmitted, real claims data is transmitted in the Pilot stage. During the Pilot step, data submissions are analyzed for completeness, validity, and accuracy. The data should meet minimum data quality requirements in order to complete the Pilot stage.

Step 4: Parallel

The claims administrator submits reports both electronically and in hard copy during the Parallel phase. WCIS uses these parallel reports to conduct a comparison study.

Step 5: Production

During Production, data transmissions will be monitored for completeness, validity, and accuracy. Each Trading Partner will be routinely sent reports describing their data quality. Those in Production status for EDI First Reports will no longer be required to send paper copies of the Employer's Report (Form 5020) to Department of Industrial Relation's Division of Labor Statistics and Research (DLSR).